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BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission

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COMMISSIONERS

JEFF HATCH-MILLER, Chairman
WILLIAM A. MUNDELL
MIKE GLEASON
KRISTIN K. MAYES
BARRY WONG

IN THE MATTER OF THE APPLICATION OF
SHEPARD WATER COMPANY FOR FINANCING
APPROVAL.

DOCKET NO. W-01537A-99-0100

IN THE MATTER OF THE APPLICATION OF
SHEPARD WATER COMPANY FOR AN
INCREASE IN RATES.

DOCKET NO. W-01537A-99-0296

PROCEDURAL ORDER

BY THE COMMISSION:

On November 19, 1999, the Arizona Corporation Commission ("Commission") issued Decision No. 62091 which authorized Shepard Water Company ("Shepard" or "Company") to enter into a WIFA loan in the amount of \$299,475 and granted Shepard a rate increase.

On August 7, 2006, Shepard filed a Progress Report regarding completion of Phase I of the surcharge authorized in Decision No. 62091 and requested authorization to proceed to Phase II of the surcharge.

On September 12, 2006, by Procedural Order, the Commission's Utilities Division ("Staff") was ordered to file a response to Shepard's request no later than September 29, 2006.

On September 29, 2006, Staff filed its response and recommended the following:

- that the Company's request to implement the Phase II surcharge approved in Decision No. 62091 be denied;
- that the Company prepare an accounting of all Phase I surcharge collections and file with Docket Control, as a compliance item in this Docket, a summary of amounts collected as of the date of Shepard's response to this recommendation, but in no event later than October 31, 2006; and
- that the Company file both a financing application and a general rate application on or before December 31, 2006, using a September 30, 2006 test year. The filing should also provide documentation to support the arsenic treatment facilities and indicate whether Shepard it is in compliance with Arizona Department of Environmental Quality's ("ADEQ") safe drinking water requirements.


Staff further indicated that Shepard is in general agreement with its recommendations described above.

Accordingly, the Company should file a prompt response to this Procedural Order not later than October 23, 2006, indicating whether it objects or agrees with the above recommendations by Staff.

IT IS THEREFORE ORDERED that Shepard Water Company shall file, no later than October 23, 2006, its response to the recommendations by Staff and whether it objects to or will comply in a timely fashion with Staff's recommendations set forth above.

IT IS FURTHER ORDERED that the Presiding Officer may rescind, alter, amend, or waive any portion of this Procedural Order either by subsequent Procedural Order or by ruling at hearing.

Dated this 13TH day of October, 2006

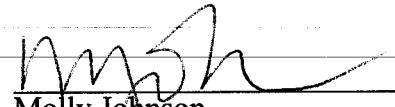

MARC E. STERN
ADMINISTRATIVE LAW JUDGE

Copies of the foregoing mailed/delivered this 13 day of October, 2006 to:

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By: 
Molly Johnson
Secretary to Marc E. Stern